

**STATEMENT OF
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OF THE
DISABLED AMERICAN VETERANS
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
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Mr. Chairman and Members of the Committee:

I am pleased to appear before you on behalf of the Disabled American Veterans (DAV), which is one of the four member organizations of *The Independent Budget* (IB). We appreciate the opportunity to present the recommendations of the fiscal year (FY) 2008 IB and compare them to the President's proposed FY 2008 budget for veterans' programs. As you know, the IB is a budget and policy document that sets forth the collective views of the DAV, AMVETS, the Paralyzed Veterans of America (PVA), and the Veterans of Foreign Wars of the United States (VFW). Each organization has a principal responsibility for a major component of the budget. My testimony focuses on Department of Veterans (VA) benefit programs, which are administered by the Veterans Benefits Administration (VBA). VBA is further divided into the following services: Compensation and Pension (C&P), Vocational Rehabilitation and Employment (VR&E), Education, Loan Guaranty, and Insurance. VBA and its constituent departments are funded under the General Operating Expenses (GOE).

The level of funding sought in the President's FY 2008 budget for VBA is approximately \$1.2 billion, an increase of \$30 million over last year's level. This amount falls far short of the IB assessment, which anticipates that VBA will require more than \$1.9 billion to meet the needs of disabled veterans. The difference between the Administration's and the IB proposals is more than \$700 million.

C&P Service

With the Administration's proposed budget, C&P Service would be authorized total 9,559 FTE, which is a total increase of 114. This recommendation does not appear to be aligned with the Administration's stated goal to decrease the number of backlogged compensation claims. For nearly a decade, C&P has struggled to find a way to address claims processing problems and establish a viable long-term claims process. Despite its ongoing efforts, the backlog remains unacceptably high, and disabled veterans and their families suffer the consequences. While a number of factors play a role, the backlog has persisted primarily because of inadequate resources compounded by higher claims volumes. The disability claims workload from returning war veterans and veterans of previous periods has steadily increased since 2000. The IB anticipates that this trend will continue, considering the ongoing hostilities in Iraq and Afghanistan, as well as an aging veteran population. However, the VA perspective is that a slight decrease in the number of claims receipts will occur during 2007 and 2008. This prediction is

somewhat troubling, considering that the VA funding shortfall that occurred in 2005 was attributed to error in estimating the number of future claims receipts.

During both FY 2005 and FY 2006, the total number of compensation, pension, and burial claims increased by an average annual rate of 4.5 percent. During this same period, the number of pending claims increased by a total of more than 33 percent. With an aging veterans' population and ongoing hostilities in Iraq and Afghanistan, it is reasonable to expect a continuation of inclined rates. Assuming the annual percentage rate of growth remains the same as in preceding years, VA can expect 874,136 claims for C&P in FY 2007. Further complicating this issue is legislation requiring VA to invite veterans in six states to request review of past claims decisions and disability ratings. It is estimated that this outreach project will produce 56,000 additional claims. Given past claims processing times, much of this workload will carry over into FY 2008, making the new total more than 930,000 claims in FY 2008. Clearly, VA will require more resources just to keep the backlog from growing, and it will require a significant increase in resources to fulfill the President's goal to reduce and eventually eliminate the claims backlog.

In its budget submission for FY 2007, VA projected production based on an output of 109 claims per direct program FTE. *The Independent Budget* Veterans Service Organizations have long argued that VA's production requirements do not allow for thorough development and careful consideration of disability claims, resulting in compromised quality, higher error and appeal rates, and even more overload on the system, and adding to the claims backlog. The IB asserts a more reasonable estimate of accurate productivity is 100 claims per FTE. With an estimated 930,000 claims in FY 2008, that would require 9,300 direct program FTE. With the FY 2007 level of 1,375 support FTE added, this would require C&P to be authorized 10,675 total FTE for FY 2008.

The IB estimates for the numbers of FTE do not accommodate the kinds of demands that may arise as a consequence of Congressional injection of attorneys into the claims process. The VA claims system was designed to be open, informal, and helpful to veterans. It is reasonable to expect that the involvement of fee-charging lawyers and agents will negatively impact productivity in the claims adjudication process and further bog down the system and eventually lead to the need for even more increases in C&P staffing. For example, VA will have the responsibility of oversight and administration of fee agreements under which the Secretary is to pay the attorney directly from past-due benefits awarded on the basis of the claim. We believe this leaves open the possibility for abuse. Allowing fee-charging lawyers and agents into the system will profoundly change the administrative claims process to the detriment of veterans and other claimants. We believe there is a potential for wide-ranging unintended consequences that will be beneficial for neither claimants nor the Government. Beyond the cost to veterans, added administrative costs for VA are likely to be substantial, without commensurate added advantages or benefits for either.

In addition to recommending additional resources, the IB has identified two other critical areas that VA must address before it can reach its goal to reduce the backlog. First, it must continue to establish and improve training programs to enable newly hired C&P personnel to absorb the tremendous volume of information contained in the laws, regulations, and court

decisions pertaining to veterans' benefits claims. This is a monumental task in itself, and it is understandable that newly hired FTE require a considerable 'ramp-up' period before they are able to make accurate claims decisions. As you know, the DAV maintains a National Service Officer (NSO) corps of approximately 260 employees who represent and assist disabled veterans and their dependents throughout the claims process. Each NSO goes through a mandatory training period that lasts anywhere from sixteen to twenty-six months before they are allowed to conduct unsupervised work. A similar extensive training program for VA claims personnel would help to reduce errors along with the number of appeals that are accumulating into a mountainous backlog.

Secondly, C&P personnel must be accountable for the quality of work they produce. In the past, focus has primarily been on productivity. But producing a high number of claims decisions is detrimental if a significant number of them have to be reworked during an appeals process that adds months or years to the amount of time disabled veterans must wait for the benefits to which they are entitled. C&P personnel who consistently make errors and fail to improve despite remedial training must not be retained in a position where their numerous poor decisions impact disabled veterans.

VA must establish a long-term strategy focused principally on attaining quality and not merely achieving production quotas in claims processing, or emphasizing how well and efficient it deals with the needs of new veterans of current wars. It must obtain supplementary resources for VBA, and it must invest these in that long-term strategy rather than reactively targeting them to short-term, temporary, and superficial gains. Only then can VBA proceed in a way that veterans' needs are addressed timely with the effects of disability alleviated by prompt delivery of appropriate benefits.

VR&E

For VR&E Service, the President's budget seeks funding for 1260 FTE. The IB recommends 1,375 FTE for this business line. VR&E's workload is expected to continue to increase primarily as a consequence of the war in Iraq and ongoing hostilities in Afghanistan. Also, given its increased reliance on contract services, VR&E needs additional FTE dedicated to management and oversight of contract counselors and rehabilitation and employment service providers. As a part of its strategy to enhance accountability and efficiency, the VA Vocational Rehabilitation and Employment Task Force recommended in its March 2004 report creation and training of new staff positions for this purpose. Other new initiatives recommended by the Task Force also require an investment of personnel resources. To implement reforms to improve the effectiveness and efficiency of its programs, the Task Force recommended that VA should add new FTE positions to the VR&E workforce. The FY 2007 total of 1,125 FTE for VR&E should be increased by 250, to 1,375 total FTE.

Education Service

For Education Service, the President's budget seeks funding for 894 FTE. While we appreciate the additional support, we believe the President's recommended staffing level for Education Service falls short of what is needed. As it has with its other benefit programs, VA has been striving to provide more timely and efficient service to its claimants for education benefits. Though the workload (number of applications and recurring certifications, etc.) increased by 11 percent during recent years, direct program FTE were reduced from 708 at the end of FY 2003 to 675 at the end of FY 2005. Based on experience during FY 2004 and FY 2005, it is very conservatively estimated that the workload will increase by 5.5 percent in FY 2008. VA must increase staffing to meet the existing and added workload, or service to veterans seeking educational benefits will decline. Based on the number of direct program FTE at the end of FY 2003 in relation to the workload at that time, VBA must increase direct program staffing in its Education Service in FY 2008 to 873 FTE, 149 more direct program FTE than authorized for FY 2007. With the addition of the 160 support FTE as currently authorized, Education Service should be provided 1,033 total FTE for FY 2008.

Other Suggested Benefit Improvements

The benefit programs are effective for their intended purposes only to the extent VBA can deliver benefits to entitled veterans and dependents in a timely fashion. However, in addition to ensuring that VBA has the resources necessary to accomplish its mission in that manner, Congress must also make adjustments to the programs from time to time to address increases in the cost of living and needed improvements. The IB makes a number of recommendations to adjust rates and improve the benefit programs administered by VBA. Some of those recommendations are:

- Establish cost-of-living-adjustments (COLAs) for compensation, dependency and indemnity compensation (DIC)
- Reject extension of provisions for rounding down compensation COLAs and allow current temporary provisions to expire
- Increase specially adapted housing grants and provide for automatic annual COLAs
- Increase automobile and adaptive equipment grants and provide for automatic annual COLAs
- Establish a grant to cover the costs of home adaptations for veterans who replace their specially adapted homes with new housing.
- Increase rates of payment to veterans who are housebound or in need of regular aid-and-attendance due to service-connected disabilities

- Establish presumption of service connection for hearing loss and tinnitus for veterans whose military duties involved high level noise exposure or combat
- Protect veterans' benefits against awards to third parties in divorce actions
- Eliminate remaining offset between career military retirement pay and VA compensation
- Eliminate offset between DIC and the Survivor Benefit Plan.
- Increase DIC for survivors of military personnel who died on active duty
- Lower age requirement for reinstatement of DIC to re-married survivors of service-connected veterans, from 57 to 55 years of age
- Repeal funding fees for VA home loan guaranty
- Update premium schedule for SDVI to reflect current mortality tables
- Increase maximum protection of SDVI policies to at least \$50,000
- Increase maximum protection of Veterans' Mortgage Life Insurance from \$90,000 to \$150,000
- Reject recommendations to compensate service-connected disabilities through payment of lump-sum settlements to veterans

We invite the Committee's attention to the section of the IB addressing the Benefit Programs for details on these and other IB recommendations for improvement.

Another important component of our system of veterans' benefits is the right to appeal VA's benefits decisions to an independent court. The IB includes recommendations to improve the processes of judicial review in veterans' benefits matters. Again, we invite the Committee's attention to the IB for the details of these recommendations. In addition, the IB recommends that Congress enact legislation to authorize and fund construction of a courthouse and justice center for the United States Court of Appeals for Veterans Claims.

Closing

In preparing the IB, the four partners draw upon their extensive experience with the workings of veterans' programs, their firsthand knowledge of the needs of America's veterans, and the information gained from their continual monitoring of workloads and demands upon, as well as the performance of, the veterans' benefits system. Historically, this Committee has acted favorably on many of our recommendations to improve services to veterans and their families, and we hope you will give our recommendations full and serious consideration again this year.